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Solid Wood Products

Solid Wood Annual Report

2008

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Report Highlights:
The overall value of forest product exports from the United States to Japan in 2007 was $875 million, down 1.3% from the previous year. From January to September of 2008, these exports were valued at $652 million, down 3.0% from the previous year.

Includes PSD Changes: No
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I. Executive Summary

Japanese housing starts in 2007 were 1,060,741 units, down 17.8% from the previous year. Housing starts for the first half of the year were 604,547, down 2.2% from the same period last year but those for the last half of the year were 456,194, down 32.1%. This dramatic reduction was initiated by the revision of the Building Standard Law, which became effective on June 20, 2007.

Housing starts from January to September of 2008 were 834,888 up 2.8% from the previous year. The housing market has shown a sign of an upturn; however, it may slow down again under the current difficult and unstable economic situation.

The overall value of forest product exports from the United States to Japan in 2007 was $875 million, down 1.3% from the previous year. From January to September of 2008, these export were valued at $652 million, down 3.0% from the previous year. (Source: WTA-Japanese Custom Data).

II. Strategic Indicator tables

STRATEGIC INDICATOR TABLE 1: CONSTRUCTION MARKET			
Country: Japan Report Year: 2008	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Housing Starts (number of units)	1,060,741	1,040,000	1,019,000
--Of which, wood frame	504,546	494,000	484,000
--Of which, steel, masonry, other materials	556,193	546,000	535,000
--Of total starts, residential	1,028,353	1,008,000	988,000
----Of residential, single family	445,631	437,000	428,000
----Of residential, multi-family	615,110	603,000	591,000
--Of total starts, commercial	32,388	32,000	31,000
Total Value of Commercial Construction Market ($US million)	117,181	115,000	113,000
Total Value of Repair and Remodeling Market ($US million)	N/A	N/A	N/A
Are tariffs on softwood from the United States higher, equal or lower than softwood imported from other countries? 1/	Equal	Equal	Equal
Are tariffs on plywood from the United States higher, equal or lower than plywood imported from other countries? 1/	Equal	Equal	Equal
Are non-tariff barriers on softwood from the United States higher, equal or lower than softwood imported from other countries? 1/	Equal	Equal	Equal
Are non-tariff barriers on plywood from the United States higher, equal or lower than plywood imported from other countries? 1/	Equal	Equal	Equal
Are there market development programs for construction, softwood or plywood imports funded by foreign governments?	Yes	Yes	Yes
If yes, identify the following:			
--Country	Canada, EU, Nordic Countries	Canada, EU, Nordic Countries	Canada, EU, Nordic Countries
--Form(s) of competition: Export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other. 2/	Trade shows and permanent market representatives	Trade shows and permanent market representatives	Trade shows and permanent market representatives
--Estimated annual market expansion outlay ($US million) by country	unknown	unknown	unknown
Is the acceptability of U.S. style timber frame construction (i.e., per building codes, mortgage availability, etc.) high, medium or low? 3/	High	High	High
Are consumer preferences for solid wood materials vis-à-vis non-wood materials in construction high, medium or low? 3/	High	High	High
From Post's experience, is the willingness of U.S. suppliers to deliver product per importers' specifications low, medium or high? 3/	Medium	Medium	Medium
If price quotes for construction and structural wood products are available, identify the leading source(s)	N/A	N/A	N/A
1/ If other than equal, explain in report text. 2/ If "other", then explain in report text. 3/ If low or medium, explain in report text.			

STRATEGIC INDICATOR TABLE 2: FURNITURE & INTERIORS MARKET			
Country: Japan Report Year: 2008	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Housing Starts (number of units)	1,060,741	1,040,000	1,019,000
Total Number of Households (1,000 households)	51,713	52,324	53,287
Furniture Production ($US million)-Wooden- (Exch. 118/$) 1)	1,340	1,230	1,130
Interiors Market Size ($US million) (Exch. 118/$) 2)	6,000	5,900	5,700
Total Furniture Imports ($US million) 3)	2,783	2,850	2,850
Total Furniture Exports ($US million) 4)	881	1,100	1,300
Are tariffs on hardwood from the United States higher, equal or lower than hardwood imported from other countries? 1/	Equal	Equal	Equal
Are non-tariff barriers on hardwood from the United States higher, equal or lower than hardwood imported from other countries? 1/	Equal	Equal	Equal
Are there market developments programs for furniture or interiors market expansion funded by foreign governments?	No	No	No
If yes, identify the following:			
--Country (ies) 2/	-	-	-
--Form(s) of competition: Export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other. 3/	-	-	-
--Estimated annual market expansion outlay ($US million) by country	-	-	-
From Post's experience, is the willingness of U.S. suppliers to deliver product per importers' specifications low, medium or high? 4/	Medium	Medium	Medium
If price quotes for furniture and interiors products are available, identify the leading source(s)	-	-	-
1/ If other than equal, explain in text. 2/ If more than one country, report each country individually. 3/ If "other", explain form of subsidy in text. 4/ If low or medium, explain in test.			

1) Covers the following "wooden" products, as classified in the Japanese Government (METI) statistics.
-Chest of drawers (wardrobes, Japanese-style cabinet of drawers, or Tansu, Cabinets of drawers), Dressers, including mirror stands, Shelves (cupboards, other shelves), Desks, Tables, Chairs (sofas, dining chairs, etc.), Beds, cabinets, other furniture, etc.

2) Includes the following "metal" furniture in addition to "wooden" furniture.
-Desks and tables, Chairs, Filing cabinets, Storage cabinets, Fire-retardant containers, Kitchen furniture (eg. Sink cabinets, range tables, cooking tables, system kitchens), Beds, Racks, Partitions, etc.

3) Covers products under the following HS (Harmonized System) tariff codes in full 9-digits / customs clearance basis.
9401.30-010, 9401.30-020, 9401.30-030, 9401.40-010, 9401.40-090, 9401.51-000, 9401.59-000, 9401.61-010, 9401.61-020, 9401.50-010, 9401.79-090, 9401.80-011, 9401.80-012, 9401.80-091, 9401.80-099, 9401.90-010, 9401.90-020, 9401.90-090, 9403.10-000, 9403.20-000, 9403.70-000, 9403.80-210, 9403.80-290, 9403.90-010, 9403.90-020,9403.90-030, 9403.90-090

4) Covers products under the following HS (Harmonized System) tariff codes in full 9-digits / customs clearance basis.
9401.30-000, 9401.40-000, 9401.50-000, 9401.61-000, 9401.69-000, 9401.71-000, 9401.79-000, 9401.80-000, 9401.90-000, 9403.10-100, 9403.10-900, 9403.20-100, 9403.20-900, 9403.30-000, 9403.40-000, 9403.50-000, 9403.60-000, 9403.70-000, 9403.80-000, 9403.90-000

STRATEGIC INDICATOR TABLE 3: FOREST PRODUCT TARIFFS AND TAXES (percent)					
Country: Japan Report Year:2008		Tariff Current Year	Other Import Taxes or Fees 1/	Total Cost of Import	Export Tax
4401.21-22	Wood Chips	Free	5	5	None
4403.10-20	Softwood Logs	Free	5	5	None
4403.10.210-230	Temperate HW Logs	Free	5	5	None
4403.91-92	Temperate HW Logs	Free	5	5	None
4403.99.100,910,990	Temperate HW Logs	Free-3.5	5	5	None
4403.10.220	Tropical HW Logs	Free	5	5	None
4403.41, 49	Tropical HW Logs	Free	5	5	None
4404	Split poles/Piles, etc.	Free-7.5	5	5.0-12.5	None
4405	Wood wool, flour	2.5	5	7.5	None
4406	Railway sleepers	Free	5	5	None
4407.10. Softwood Lumber < =160mm; Thickness					
-110; Pinus spp. Abies spp.	Picea spp; Planed	4.8	5	9.8	None
-121;Pinus spp.	Not planed	4.8	5	9.8	None
-129;	Other species	4.8	5	9.8	None
-210; Genus Larix	Planed or sanded	6	5	11	None
-290; Genus Larix	Not planed or sanded	6	5	11	None
-310; Other	Incense cedar	Free	5	5	None
-321-399; Other	Other	Free	5	5	None
4407.91-92	Temperate HW Lbr.	Free	5	5	None
4407.99.100,210,290,400,500	Temperate HW Lbr.	Free	5	5	None
4407.21,22,27,28; Tropical HW Lbr.	Mahogany,Virola,Sapelli,Iroko	Free	5	5	None
4407.25,26,29;Trop.HW Lbr.	Meranti,Lauan,etc.	6	5	11	None
4407.99.310-390	Tropical HW Lbr.	6	5	11	None
4408.10	Softwood veneers	Free-6.0	5	5.0-11.0	None
4408.31;Meranti	Hardwood veneers		5	11.0-11.0	None
4408.39;Padok, Jeltong, Teak	Hardwood veneers	Free-6.0	5	5.0-11.6	None
4408.90;Tsuge,Tagayasan, etc.	Hardwood veneers	5.0-6.0	5	10.0-11.6	None
4409.10;Softwood	Drawn wd,mouldings	Free-5.0	5	5.0-10.0	None
4409.21,29;Non-Softwood	Drawn wd,mouldings	Free-7.5	5	5.0-10.0	None
4410.11,12,19;Particle+simlr brd	Particle board,OSB	5.0-6.0	5	10.0-11.0	None
4410.90; Other boards/sheets	Wood materials	6.6-7.9	5	11.6-12.9	None
4411.12,13,14,92,93,94; Fiberboard		2.6	5	7.6	None
4412.13 Plywood, veneered panels & similar laminated wood.					
4412.10; Bamboo	Plywood	6.0-10.0	5	15	None
4412.31; With 1 trop.ply	Plywood	6.0-10.0	5	11.0-15.0	None
4412.32;With 1 non-coniferous	Plywood	6	5	11	None
4412.39;Others	Plywood	6	5	11	None
4412.94,99;Other	Blockboard,Laminated lumber and etc.	6	5	11	None
4413.00	Densified Wood	7	5	12	None

4414.00	Wooden Frames	3.2	5	8.2	None
4415.10,20; Crates, Pallets,	Packing cases,boxes	2.8-3.9	5	7.8-8.9	None
4416.00; Casks,barrels,	Vats, Tubs,etc.	2.2	5	7.2	None
4417.00; Tools,Tool bodies	Tool Handles,Broom	2.2-2.8	5	7.7-7.8	None
4418; Builder's Joinery &	Carpentry of Wood	Free-5.0	5	5.0-10.0	None
4419.00;Tableware &	Kitchenware of Wood	2.7-4.7	5	7.7-9.7	None
4420.10,90; Wood Marquetry &	Inlaid Wood,caskets	Free-10.0	5	5.0-15.0	None
4421.10, 90;Other Articles of	Wood (eg.hangers)	Free-10.0	5	5.0-8.9	None
9406.00; Prefabricated	Buildings & Parts	Free	5	5	None
1/ Japanese domestic consumption tax, applicable to all goods and products sold in Japan.					

III. Forest Situation

Total revenue from Japanese forests in 2006 was 432.2 billion Yen (approx. $3.7 billion), up 3.7 % from the previous year.

Revenues from timber production were 217.1 billion Yen (approx. $1.9 billion), up 3.3% from the previous year due to production and the price increase of sugi (Japanese cedar).

Cultivated mushroom production revenues were 198.5 billion Yen (approx. $1.8 billion), up 4.3 % from the previous year due to an increase in prices for fresh shitake mushroom and buna shimeji mushroom.

The most recent version of the Forest Revenue Report is for 2006, and the 2007 edition is expected to be released in early 2009.

Japanese Forests - Total Outturn Value (Unit: 100 million Yen)				
Product Sector	2005	2006	% Change 1/	2006: % Share
Timber	2,102	2,171	3.3%	50.2%
Charcoal	61	56	-8.2%	1.3%
Cultivated Mushroom	1,985	2,071	4.3%	47.9%
Misc.	20	24	20.0%	0.6%
Total Revenues	4,168	4,322	3.7%	100%

(Source: Ministry of Agriculture, Forestry & Fisheries)

IV. Production

1) Logs

Total log demand in 2007 was 28,789 thousand cubic meters (M m3). The demand for logs by plywood and wood chip manufacturers increased, however the demand for logs for lumber manufacturing decreased. Therefore, the overall demand for logs increased by 652M m3 (2.2%). The volume of logs supplied from Japanese forests was 17,650M m3, which represents an increase of 1,041M m3 (6.3%), and the volume of imported logs was 11,139M m3, down 1,693M m3 (12.3%) from the previous year. The overall share of domestic logs was 61.3%, up 4.9% from 2006.

Japan's log demand breakdown: Logs for wood chip manufacturing was 4,114M m3 increased 198M m3 (5.1%) from the previous year due to a decreased supply of chips from house demolition material and the remaining materials from saw mills. This trend is expected to continue with increasing demand for biomass energy use. The supply of logs for lumber production was 19,448M m3 decreased 894M m3 (4.4%) from the previous year because decreased housing starts brought down Japanese imports. The supply for plywood production was 5,227M m3, increased 44M m3 (0.8%) from the previous year. The demand breakdown was therefore 67.9% lumber, 18.2% plywood and 14.3% wood chip.

Log supply: The domestic log supply was 17,560M m3 and increased 1,041M m3 (6.3%) due to high Russian log prices and processing technology upgrades that allow the use smaller diameter Japanese logs for making plywood. The volume of imported logs was 1113.9M m3 down 1,693M m3 (13.2%) from the previous year due to high ocean freight costs, high log prices due to active demand from foreign courtiers and the increased Russian export tax on logs.

Imported logs: The volume of imported tropical logs was 1,008M m3, of North American logs was 4,613M m3, of Russian logs was 4,438M m3, and of New Zealand logs was 845M m3. This represents a change from previous year of -17.3%, -12.5%, and -12.9% and -11.4% respectively.

Raw Material Log Arrivals For Total Wood Industry			
(Unit: 000 m3)	2006	2007	% Change
Total Raw Material Log Arrivals:	29,441	28,789	-2.2%
Japan's Domestic Timberlands:	16,609	17,650	6.3%
Softwood	14,017	15,162	8.2%
Temperate Hardwood	2,592	2,488	-4.0%
Imported Raw Material Logs:	12,832	11,139	-13.2%
Tropical Hardwood	1,219	1,008	-17.3%
Softwood (U.S./Canada)	5,274	4,613	-12.5%
Softwood (Russia)	5,097	4,438	-12.9%
Softwood (New Zealand)	954	845	-11.4%
Others	288	235	-18.4%

(Ministry of Agriculture, Forestry & Fisheries)

2) Lumber

Japan's sawn lumber production in 2007 was 12,406M m3, down 2.7% from the previous year. The number of sawmills in operation as of the end of December 2007 was 7,905, down 6.8% (577 mills) from the previous year. The number of sawmill workers was 42,127 down 3,262 (7.2%) from the previous year.

The volume of logs being supplied to the lumber industry in 2007 was 19,448M m3, down 4.4% from previous year. Out of this total, 11,981M m3 (61.6%) came from Japanese forests and 4,562M m3 (23.5%) came from North America.

Raw Material Log Arrivals For Lumber Production			
(Unit: 000 m3)	2006	2007	% Change
Total Raw Material Log Arrivals:	20,342	19,448	-4.4%
Japan's Domestic Timberlands:	11,645	11,981	2.9%
Softwood	11,316	11,782	4.1%
Temperate Hardwood	329	199	-39.5%
Imported Raw Material Logs:	8, 697	7,467	-14.1%
Tropical Hardwood	200	162	-19.0%
Softwood (U.S./Canada)	5,244	4,562	-13.0%
Softwood (Russia)	2,115	1,715	-18.9%
Softwood (New Zealand)	870	809	-7.0%
Others	268	219	-18.3%

(Source: Ministry of Agriculture, Forestry & Fisheries)

3) Plywood

Japan's plywood production in 2007 was 3,073M m3, down 7.3% from the previous year. Softwood plywood production accounted for 2,424M m3 or 79% of the total production. With softwood species (primarily Russian larch and Japanese cedar and larch) as the raw materials, softwood plywood production decreased 60M m3 down 2.4% from the previous year. Tropical hardwood plywood production, on the other hand, was 589M m3, down 29.0% from 830M m3 in the previous year and accounting for the remaining 21% of plywood production.

Year-to-date all plywood production for the first half of 2008 was 1,286M m3, down 22.0% from the same period in 2007. Year-to-date softwood plywood production was 994M m3, up 22.1% from the same period last year, and accounted for 77.2% of the total plywood production. Softwood is now the most commonly used material in Japanese plywood for structural use. This trend will continue due to not only high tropical log prices but also Japanese consumer acceptance of the appearance of softwood plywood. Tropical plywood has been used for concrete forms and also for specialty plywood such as those with a very thin overlay which require a very smooth surface.

The supply of Japanese logs for plywood production was 1,619M m3, which surprisingly increased by 43.8%. A design improvement to the rotary lathes used in veneer manufacturing lines has made it possible to use smaller logs and has increased production and the quality of veneer. The Japanese cedar log supply in 2007 again showed a significant increase of 32.1% over the previous year, compensating for the lack of Russian log supplies. North American logs for plywood production and Japanese cedar also increased. Plywood manufacturers have been seeking alternative supplies to Russian logs due to Russia's plan to increase the log export tax to 80% beginning in January 2009. Please see GAIN report JA7016 for more information on Russia's log export tax.

Raw Material Log Arrivals For Veneer & Plywood Production			
(Unit: 000 m3)	2006	2007	% Change
Total Raw Material Log Arrivals:	5,183	5,227	0.8%
Japan's Domestic Timberlands:	1,144	1,632	42.7%
Softwood	1,126	1,619	43.8%
Temperate Hardwood	18	13	-27.8%
Imported Raw Material Logs:	4,039	3,595	-11.0%
Tropical Hardwood	1,018	846	-16.9%
Softwood (U.S./Canada)	26	48	84.6%
Softwood (Russia)	2,897	2,655	-8.4%
Softwood (New Zealand)	83	35	-57.8%
Others	15	11	-26.7%

(Source: Ministry of Agriculture, Forestry & Fisheries)

The number of plywood and veneer mills in operation in 2007 was 286, down 15 mills or 5.7% from the previous year. The number of mill workers employed by these mills as of the end of December 2007 totaled 11,144, down 2.4% from the previous year.

4) Glulam (Glued-laminated Wood Products)

Japanese laminated wood production volume in 2007 totaled 1,346M m3, down 20% from the previous year. This was due to the Building Standards Law revision in June 2007. Housing starts have dropped considerably and as a result, demand for building materials also shrank. Building material production accounted to 158.2 billion yen (approx US$ 1.5 billion, yen118/$). Small section glulam, mainly for posts and studs, decreased 20% over the previous year and glulam used for the middle section, mainly for beams, decreased 22%. The majority of Japanese glulam production is of the middle section with a 52.8% share versus a 44.3% share for the small section in 2007. The majority of glulam manufacturers in Japan changed from using E-120 beams to E-105 last year due to the unstable supply of high strength lamina and the fact that E-105 is strong enough to use as beams in most cases.

Laminated Wood Production (Volume: 000m3)							
Product Category		2005		2006		2007	
		Volume	% Change	Volume	% Change	Volume	% Change
Structural	Veneer Overlay	28.4	-22	22.7	-20	14.1	-37
	Large section	40.7	-21	30.1	-26	19.3	-36
	Middle section	594.4	2	790.6	33	619.0	-22
	Small section	646.2	6	646.2	0	519.4	-20
Sub total		1,309.7	3	1,489.6	14	1,172.1	-21
Non-Structural		202.2	-4	185.6	-8	174.4	-6
Total Volume:		1,511.9	2	1,675.2	11	1,346.5	-20

(Source: Japan Laminated Wood Industry Association)

5) Fiberboard Products

Particleboard production in 2007 was 1,245M m3, kept at the same level of the previous year. Japanese mills kept production constant during the year. However, raw material procurement has been an issue for the particle board industry. Recently, construction of biomass boilers, which use scrapped wood from house demolitions for fuel, have been increasing due to a rising environmental consciousness. Some particle board mills had to temporarily shutdown due to short supply of chips in late 2007. Demand for scrap wood has been growing so chip supplies for the particle board industry are expected to be unstable.

MDF (Medium Density Fiberboard) production was 475M m3 in 2007, up 8.9% from the previous year. Also MDF was used as an alternative to plywood to avoid plywood prices.

Hardboard production was 61M m3, up 4.4% from the previous year. Thin hardboard was used for waster sheets at construction sites to protect flooring and other building materials rather than high price plywood. Also demand for packaging and automobile parts has been stable.

Insulation Board production was 401M m3, kept the same level as the previous year. The largest end use was for tatami core and has decreased slightly due to slow housing starts. Daiken corporation, who is the largest manufacturer, has maintained stable demand by conducting a campaign to promote their insulation board as a product with low environmental load. They are developing new insulation board products for the structural market, which is a wall sheathing with a wall ratio “3”, while they keep the tatami core market share. These products can be a substitute for plywood.

Fiberboard Production by Year (Unit: 000m3)			
Product Line	2006	2007	% Change
Particleboard	1,245	1,245	0.0%
Hardboard	59	61	4.4%
MDF (Medium Density)	437	475	8.9%
Insulation Board	400	401	0.3%
Total Volume:	2,141	2,182	1.9%

(Source: Ministry of Economy, Trade and Industry)

V. Wood Consumption
1) Lumber

Solid sawn lumber shipments continue to decrease, going down 16.5% in the past five years. This is because glulam is increasingly not only used for posts but also for beams due to superior dimensional stability over green or even kiln dried lumber.

Industry's Lumber Shipments by Year					
Vol.\Year	2003	2004	2005	2006	2007
Volume (000 m3)	13,929	13,603	12,825	12,554	11,632
% Change (Yr./Yr)	-3.3%	-2.3%	-5.7%	-2.1%	-7.3%

(Source: Ministry of Agriculture, Forestry and Fisheries)

Year-to-date lumber shipments through June 2008 were 5,542M m3, down 10.6% from the same period last year. The total volume of lumber shipments in 2007 was 11,632M m3, down 922M m3 (7.3 %) from the previous year. The volume of all types of end uses decreased and the volume of kiln-dried lumber was 2,293M m3, down 26M m3 (-1.1%). The volume of wood used in the housing construction and civil works sectors showed a consistent decline, for the same reasons stated above.

Lumber Consumption in the Housing & Construction Sector (Unit: 000 m3)					
Sector\Yr.	2003	2004	2005	2006	2007
Housing	11,300	11,000	10,507	10,207	9,455
Civil works	530	520	479	515	468
Total	11,830	11,520	10,986	10,722	9,923
% Change 1/	-3.6%	-2.6%	-4.7%	-2.4%	-7.5%
% Share 2/	85.1%	85.1%	85.6%	85.4%	85.3%

(Source: Ministry of Agriculture, Forestry and Fisheries)
Notes: 1/ Year-on-year percent change.
2/ % share in the industry's total lumber shipments.

2) Plywood

Plywood shipments in 2007 totaled 2,790M m3, down 16.8% from the previous year. Year-to-date shipments through June 2008 were 1,405M m3, down 5.8% from the same period last year.

Industry's Plywood Shipments & Production by Year (000 m3: % Change)					
	2003	2004	2005	2006	2007
Shipments	2,967 (+ 9.2%)	3,027 (+2.0%)	3,168 (+4.7%)	3,354 (+5.9%)	2,790 (-16.8%)
Production	3,024 (+10,5%)	3,149 (+4.1%)	3,212 (+2.0%)	3,314 (+3.2%)	3,073 (-7.3%)

(Source: Ministry of Agriculture, Forestry & Fisheries)

VI. Market Sector Analysis

1) Construction Sector

Prior to the Building Standard Law revision in June 2007 there was a last-minute order increase so housing starts in June 2008 with 100,929 units,down 16.7% from the same time last year. However the figure exceeded 100,000 for the first time since the revision. Privately-owned homes, rental hosing, and houses built-for-sale all decreased over June last year but they increased over May 2008. Housing starts for the first half of the year are still in a recovering stage with a total of 543,587 houses, down 11.1% from the same period last year.

Housing Starts in the first Half of Year (January-June):					
Year	Total Starts	Custom Housing	Condo-Miniums	Prefab. Housing	2x4 Wood Housing
2007	604,547	162,656	118,827	73,827	46,809
2008	543,587	153,547	99,388	74,016	49,307
% Change	-11.1%	-5.6%	-16.4%	0.3%	5.3%

(Source: Ministry of Land, Infrastructure & Transport)

Japanese housing starts in 2007 were 1,060,741 units, down 17.8% from the previous year. Housing starts for the first half year were 604,547, down 2.2% from the same period last year but those for the last half year were 456,194, down 32.1%. This dramatic reduction was initiated by revision of the Building Standard Law, which became effective on June 20, 2007. The housing market has shown a sign of an upturn however it may slow down again under the current difficult and unstable economic situation.

Housing starts in 2007 included many condominiums and houses for rent. Privately-owned homes, which influence wood and building material demand the most, accounted for 314,865 houses, down 12.2% from last year. Houses for rent were 441,733, down 18.7% and built for sales homes were 294,777, down 12.3% over last year.

Construction of wooden houses, post and beam construction, two-by-four platform housing, and wooden prefabricated houses all decreased, however the drop in housing starts for wooden houses was smaller than that of condominiums. The total was 505 thousand, down 9.8% from the previous year. The percentage of wooden house shares was 47.6%, up 9.9% from the previous year. Two-by-four starts were 98,555, down 6.5% from 2006, which was the least drop among other forms of construction.

Japanese Housing Starts: 2006 Vs. 2007 (Units)				
Sector	2006	% Change	2007	% Change
Total Starts	1,290,391	4.40%	1,060,741	-17.8%
Privately-owned homes	358,519	1.50%	314,865	-12.2%
Houses for rent	543,463	7.80%	441,733	-18.7%
Corporate housing	9,228	-3.30%	9,366	1.5%
Built-for-sale	379,181	2.70%	294,777	-22.3%
Wood-Framed	559,201	3.00%	504,546	-9.8%
Wood Share (%)	43.3%	-0.60%	47.6%	4.3%
By Framing Method				
Condominiums	238,614	4.0%	168,918	-29.2%
Prefab. Housing	160,347	2.6%	145,360	-9.3%
(Wood-framed)	21,080	1.7%	17,556	-16.7%
2x4 Wood-framed	105,390	10.0%	98,555	-6.5%
By Floor Space (1,000 square meters)				
All Housing Starts	108,815	2.1%	90,651	-16.7%
Wood-Framed	57,770	2.3%	51,383	-11.1%
Wood Share (%)	53.1%	0.1%	56.7%	3.6%

(Source: Ministry of Land, Infrastructure & Transport)

2) Furniture & Interiors Sector

Domestic lumber industry's shipments to the furniture sector dropped 19.7% in 2007 compared to the previous year and less than half the volume of 2002. On the whole, the wooden furniture market has been on a downward trend because of the slowdown in durable consumer goods, and decreasing demand for wedding furniture caused by changes in lifestyle and increases in built-in storage spaces in newly-built apartments, condominiums and houses. Moreover, as the production of furniture continues to relocate to Asian nations such as China, Thailand, Malaysia, Indonesia, and Vietnam, shipments of wood to the furniture industry in Japan continue on a downward trend.

Lumber Consumption in the Furniture & Interiors Sector (000 m3)					
Year	2003	2004	2005	2006	2007
Volume	213	196	150	117	94
% Change 1/	-16.5%	-8.0%	-23.5%	-22.0%	-19.7%
% Share 2/	1.5%	1.4%	1.2%	0.9%	0.8%

(Source: Ministry of Agriculture, Forestry and Fisheries)
Notes: 1/ Year-on-year percent change.
2/ Percentage share in the industry's total lumber shipments.

In 2007, the value of Japanese wooden furniture sales was 158 billion Yen (Approx. 1.34 billion US$, yen118/US$), down 7.6% from the previous year. The value of Japanese furniture imports, including wood as well as steel products and their concomitant furniture parts, up 4.7% from the previous year at $2.8 billion.

3) Materials Handling Market

Lumber consumption in the materials handling sector in 2006 was reported as 1,391M m3, down 0.6% from the previous year.

Lumber and wood material had been the main material for the packaging of knock down (KD) automobile parts, motorcycle and plant exports. As shipping methods changed from break bulk ships to container ships, it enabled the use of other materials such as simpler steel boxes and corrugated paper boxes rather than a wooden frame or wooden boxes. Returnable knockdown packaging has also been introduced, so that conventional one time packaging has decreased, and in addition, the amount of wood packing is decreasing every year due to an increase in local parts sourcing.

Lumber Consumption in the Material Handling Sector (000 m3)					
Year	2002	2003	2004	2005	2006
Volume	1,536	1,489	1,571	1,400	1,391
% Change 1/	-3.3%	-3.1%	5.5%	-10.9%	-0.6%
% Share 2/	10.7%	10.6%	11.5%	10.9%	11.1%

(Source: Ministry of Agriculture, Forestry and Fisheries)
Notes: 1/ Year-on-year percent change.
2/ Percentage share in the industry's total lumber shipments.

The total production of pallets in 2007 was another record-high 82,021M units, up 5.6% from the previous year. Wooden pallet production in 2007 was 64,470M units, up 13.5% from the previous year. Palettes made from plastics are increasing as rentals. Plastic palettes in particular, which are hygienic and accurately sized, have increased mainly in the food industry. However, wood has been increasing due to high steel and plastic material prices, increasing international prices, and the difficulty of waste disposal treatment for plastic.

Japan Pallet Production by Material (Unit: 1,000 units)					
Material	2006	2007	% Change	Million Yen	% Share
Wood	59,663	64,470	8.1%	124,200	83.0
Metal	3,769	3,591	-4.7%	41,349	4.6
Plastic	9,283	9,141	-1.5%	32,378	11.8
Other	4,984	4,819	-3.3%	3,520	0.6
Total:	77,699	82,021	5.6%	201,447	100.0

(Source: Japan Pallet Trade Association)

Japan implemented ISPM No. 15 on wood packaging material for import since April 1, 2007. Details are explained in the website below.
Plant Protection Station: http://www.pps.go.jp/english/woodpack/index.html

VII. Trade Highlights – Updates on Japanese Statistics

Glulam Imports by Year (Unit: 000m3)			
Product Category	2006	2007	% Change
Structural Stock	806	642	-20.3%
Non-Structural Stock	165	159	-3.8%
Total Volume:	971	801	-17.5%

(Source: Japanese Customs Data)

Fiberboard Imports by Year (Unit: 000m3)			
Product Line	2006	2007	% Change
Particleboard	461	453	-1.7%
Hardboard	44	33	-24.5%
MDF (Medium Density)	470	588	25.0%
Insulation Board	3	2	-43.2%
Total Volume:	978	1076	10.0%

(Source: Japanese Customs Data)

Plywood Imports by Year (Unit: 000m3)			
Country	2006	2007	% Change
From Indonesia:	1,544	1,180	-23.6%
From Malaysia:	2,579	2,009	-22.1%
From Canada:	22	35	62.8%
From China:	622	668	7.4%
Total Volume:	4,881	4,008	-17.9%
Top 4 Exporters:	97.7%	97.1%	-

(Source: Japanese Customs Data)

VIII. Green Procurement Law

The Revised Green Procurement Law has been effective for government purchases of wood and wood products since April, 2006. The law does not require legality of wood for private transactions, and the volume of wood and wood products purchased by government is very limited according to a contact from the Forestry Agency. As of October 17, 2008, there are 134 certified bodies and 6,548 certified companies according to Goho-wood website http://www.goho-wood.jp/nintei/list.php. However, there are no statistics to measure the scale of business under this system. Please refer to the following website for the law and the Forest Agency guideline. Softwood from the western United States mostly comes from certified forests; however, softwood from southern states and hardwood does not. These industries are researching ways to show the legality of their product. Recently, the American Hardwood Export Association (AHEC) introduced a code of conduct to assure the legality of products from their member mills.

http://www.env.go.jp/en/laws/policy/green/index.html

http://www.rinya.maff.go.jp/policy2/ihou/eiyaku.pdf

IX. References

Japanese industry and commodity statistics in this report are based on the following data, published periodically by calendar year:

1) Statistics and Information Bureau of the Japanese Ministry of Agriculture, Forestry and Fisheries
-2006 Report on the Basic Raw Material Statistics in the Foresty Industry
-2007 Report on the Basic Lumber Industry Statistics
- Report on the Plywood Industry Statistics, December 2007 and June 2008
- Report on the Lumber Industry Statistics, December 2007 and June 2008

2) Research and Statistics Department, Economic and Industrial Policy Bureau, Ministry of Economy and Industrial Policy Bureau
- 2007 Yearbook of Textiles and Consumer Goods Statistics

3) Policy Bureau, Ministry of Land, Infrastructure and Transport
- Monthly of Construction Statistics, March 2008

End of Report